Improving Institutional Accountability Through Performance Funding: The Tennessee Experience

Dr. Brian Noland,
Tennessee Higher Education Commission

Dr. Houston Davis,
Austin Peay State University

Dr. Gary Skolits,
The University of Tennessee Knoxville

Please submit all correspondence to:

Dr. Brian Noland
Director of Academic Affairs
Tennessee Higher Education Commission
4040 James Robertson Parkway, Suite 1900
Nashville, TN 37243-0830

"Improving Institutional Accountability Through Performance Funding: The Tennessee Experience"

INTRODUCTION

The last decade has proven itself to be an exceedingly unstable era for higher education, marked by rising tuition costs, diminished financial aid, and a constant effort on the part of academic institutions to garner essential resources while cutting costs. Colleges and universities routinely struggle to make ends meet, simultaneously attempting to respond to volatile demographic changes such as fluctuations in traditional student cohorts, periodic enrollment declines punctuated unexpectedly by temporary enrollment upswings, an emergence of new constituencies, and a seemingly oversupply of graduates (Lucas, 1996). As the pressures on higher education have increased, accountability has become the watchword of the legislative movement toward direct involvement in the activities of higher education. An increasing number of states have turned to an evaluation of outputs as a way to monitor quality, efficiency, and effectiveness of the schools in their systems (Layzell & Lyddon, 1990). The most direct tie between elected officials and the campus leadership is the fiscal chain connecting the two. Many of the principal components of the budgeting process – incremental adjustments, formula calculations, peer institution indices, performance standards, special allocations, fee revenues, etc. – have come under heightened scrutiny as states calculate current needs and project future demands on state coffers.

The recent and increasing concern with the public accountability of higher education in the United States is undeniable (Dumont, 1980). However, the trend among public policy makers is to move away from reliance on enrollment-driven funding and to attempt to tie budgetary support to an institution's ability to document results (Lucas, 1996). In light of the major economic and social changes that are occurring both within the nation and the global community, students, parents, legislators, administrators, and policy-makers alike consider a quality higher education a key component to obtaining employment in today's competitive job market. Thus, consumers are increasingly interested in obtaining information on the quality of the education that schools and colleges provide, notwithstanding the increasing cost of obtaining a higher education (NCES, 1996). As a result state legislators and community leaders are increasingly called to assess higher education, which in turn has put increased pressure on state governing bodies for the assessment of student learning.

Over the past decade, assessment and the improvement of student performance have been the focus of much discussion regarding colleges and universities. During that time there has been a progressive increase in the number of postsecondary institutions engaged in some form of student assessment (Erwin, 1998). A considerable amount of faculty and administrative time and effort has been invested in promoting, supporting, and implementing student assessment. Postsecondary institutions throughout the nation continue to search for appropriate and effective strategies for student assessment and for credible evidence to guide their efforts (Peterson et al, 1999).

Tennessee is one such example of a state that has reported proven success with its innovative assessment driven policy designed to stimulate instructional improvement and student learning. Since 1979, the Performance Funding Program has been an effective incentive for meritorious institutional performance at public colleges and universities across the state. It has also provided the citizens of Tennessee, the executive branch of state government, the legislature, education officials, and faculty with a means of assessing the progress of publicly funded higher education (Banta et al, 1996). This formalized assessment policy stimulates instructional improvement and student learning as institutions carry out their respective missions. By encouraging instructional excellence, the Performance Funding Program contributes to continuing public support of higher education and complements academic planning, program improvement, and student learning (Banta et al, 1996).

Despite the fact that no other state has yet adopted a policy quite like Tennessee's (Banta et al 1996), performance funding has been confirmed in five iterations of policy guidelines, and Tennessee institutions are about to embark on a sixth five-year plan for implementing this unique accountability initiative. Building upon an earlier study conducted by Banta et al (1996), this research examines several research questions directly related to public policy: [1] what factors have contributed to the surprising longevity of this program; [2] what are the perceived strengths/weaknesses of the program from both an internal and external accountability perspective; [3] does the program in Tennessee suggest specific performance indicators which hold promise for stimulating improvements on college and university campuses in other states; and [4] to what extent are the results from the mandated assessment activities used for internal campus improvements?

THEORETICAL FRAMEWORK

During the last decade, state-level accountability initiatives and the use of performance indicators have redefined relationships with governmental constituencies and public higher education. Governmental authorities are no longer as receptive to the traditional self-regulatory processes that have dominated the academy for centuries (Alexander, 2000). Legislators, employers, and the broader public have influenced the "accountability movement" of the 1990s, which has required more standardized reporting of performance indicators and shifted the focus of established financing systems from incremental funding increases or enrollment-driven formulas to funding linked to clearly specified results (Gaither, 1995, pg. 1). Funding for results links state support to institutional performance on a range of critical indicators which reflect state priorities (Burke, 1998). One of the benefits of performance funding is that it directly links the planning and budgeting processes. This planning/budgeting nexus allows states to address many of the problems identified by Albright (1998).

In her study of higher education structures across the nation, Albright (1998) observed that in allocating money to public higher education institutions, most funding systems do not consider state educational goals, nor do they provide incentives for improvements in institutional or program effectiveness, educational quality, or student learning outcomes. Success or failure is not part of the funding formula. However, many state leaders now view such traditional budgeting models as obsolete, insulated from state and institutional strategic planning, unresponsive to state and national priorities, and inappropriately separated from the question of value. In some states, long-standing budgetary systems have been abandoned and have been replaced by completely new funding frameworks. In many cases, these funding frameworks have been redesigned to include performance-based funding initiatives. Under this system, performance measures are reported in the budget process and are directly associated with funding decisions.

Performance funding for public colleges and universities has evolved since its inception over twenty years ago in the state of Tennessee. The policy has become a popular concept among state policy makers and controversial within academic circles (Burke and Modarresi, 2000). By 1999, 16 states had performance funding policies and nine more appeared likely to adopt it (Burke and Modarresi, 1999). This program was originally developed as a means for institutions to overcome the competition for scarce fiscal resources in state government. Since the first financial incentives for evidence of student learning and program quality were proposed by the Tennessee Higher Education Commission (THEC), three-quarters of the other states and all of the regional accrediting associations have issued calls for institutions to demonstrate their accountability for the use of public funds (Banta et al, 1996). Texas, Arkansas, Kentucky, South Carolina, Missouri, and New Mexico are among the states that have begun to associate funding with institutional reporting of such quantitative data as retention/graduation rates, placement of graduates, and rates of transfer to four-year institutions (Ewell, 1993). However, no other state or agency has been as prescriptive as THEC in suggesting the use of common standardized examinations across programs and institutions and in basing specific amounts of funding on levels of test scores and numerical ratings of satisfaction (Burke, 1999).

The 1990's were an era defined by reduced tax revenues and increased demands for mandatory services in corrections, health care, welfare, and public schools forced more intense scrutiny of higher education, the largest discretionary item in state budgets (Burke, 1998). For example, fiscal year 1992 marked the first time in history that state governments nationally appropriated less money for higher education than in the previous year (Hines, 1993). What governors and legislators observed in the realm of higher education were rising costs and questionable results (Burke and Serban, 1998). Elected officials complained about the quality and quantity of faculty teaching and student learning, the preoccupation with graduate studies and research and the neglect of undergraduate education, the lack of priorities and productivity, disinterest in job training and economic development, and the swelling of administrative positions and support costs. Moreover, critics charged that public colleges and universities admitted too many underprepared students, graduated too few of those enrolled, permitted too many to take too long to earn degrees, and allowed too many to finish without the knowledge and skills necessary for productive careers in a knowledge and information economy. Performance funding represents the most dramatic step in the search for external accountability to address the problem areas detailed above.

The call for increased accountability began in the 1980s with discussions focusing on campus-level educational quality, undergraduate instruction, and assessment of teaching and learning. According to Neal (1995), the resulting assessment strategies were "internally focused, institutionally developed, and largely voluntary in nature" (pg. 6). The concept of assessment as an internal strategy to address public concerns about educational quality found a receptive and responsive audience. By 1990, forty states were actively promoting assessment (Ewell, Finney, and Lenth, 1990). Unfortunately, outcomes assessment produced only external observance on many campuses and did not provide the credible and comparable evidence of institutional performance that governors and legislators desired (Ewell, 1996). The apparent inability of assessment to respond to the accountability concerns of state governments seems to have been one of the major reasons for the move to performance reporting in the late 1980s and early 1990s (Ruppert, 1994).

The accountability movement of the late 20th century represented a paradigm shift for higher education. This paradigm shift evolved in response to changes in the global policy environment and pressures to reinvent government (Denhart 1993). Additionally, public policy makers became less interested with instructional quality and more concerned with productivity and efficiency. Furthermore, earlier assessment initiatives based on voluntary participation had been replaced with mandated systems of institutional reporting (Neal, 1995). By 1994, approximately one-third of the states had some form of performance indicator system in place (Ewell, 1994). Many of these “reporting only” systems were based on designs implemented by state legislatures and coordinating boards rather than through consultation with institutional leaders. Consequently, institutional resistance to external accountability continued to grow, while educational agencies and governing bodies struggled to improve institutional productivity while preserving some sense of academic autonomy (Neal, 1995).

According to Burke and Modarresi (2000), these reports recorded institutional results on a common set of indicators and responded to the issue of interinstitutional comparability. The authors also noted that the recession of the early 1990’s, and the resulting decline in state revenues, meant that the indicators in performance reporting added efficiency to the quality measures that appeared in existing assessment plans. Performance reporting relied on information alone to encourage improved efficiency and effectiveness. Although assessment for results became the buzzword amongst legislators and other elected officials, the “reporting only” system did not provide financial consequences for institutions with good or poor performance (Ruppert, 1994). Moving from performance reporting to funding was a logical evolution in the accountability movement that provided the impetus for the aforementioned paradigm shift in higher education.

The primary difference between performance reporting and funding is that performance funding directly ties state allocations to prescribed levels of campus achievement on designated indicators (Burke and Modarresi, 2000). Moreover, it adds institutional performance to the input factors traditionally used in state budgeting for public higher education such as current costs, student enrollments, and inflationary increases. This new construct in the funding formula is a relatively small addition in most states, because the sums allocated to performance run from less than one to six percent of state operating support (Burke and Serban, 1998). According to Alexander (2000), South Carolina is the only state to adopt a performance-funding model as the primary vehicle for allocating state funding to higher education. In 1999 nearly 100% of South Carolina's state operating resources to universities were theoretically appropriated by means of performance-based criteria. The South Carolina model envisioned the use of 37 indicators in nine distinct performance categories, including mission focus, quality of faculty, quality of instruction, institutional cooperation and collaboration, administrative efficiency, entrance requirements, graduates' achievements, user-friendliness of institution, and research funding. It should be noted that the South Carolina experiment has been wrought with difficulties. For a detailed discussion of the program in South Carolina see Watt and Fleming (2000).

Burke and Modarresi (2000) note that performance funding benefited from the experiences of assessment and reporting and incorporated many of their components. Although the implementation of this program often varies by state, performance funding models generally contain elements from six major categories: broad ranging program goals, measurable performance indicators, success standards, funding weights, variable funding levels, and funding sources (Burke and Serban, 1998). As most states anticipate enrollment expansion during the next decade, governing authorities and legislatures will remain focused on generating creative ways to measure the productivity and efficiency of public institutions. The increased emphasis on performance-based accountability in the United States reflects a growing national interest in identifying measurable outcomes. When combined with the growing movement to assess student learning and performance, this emphasis may continue to push state governments in the United States to couple formulaic funding levels with institutional and student performance standards (Alexander, 2000).

Performance Funding in Tennessee

As Van Vught (1994) noted, "the United States was instrumental in starting the movement toward greater accountability" (p. 41). Tennessee has pioneered performance funding for public higher education and addressed systemized accountability by establishing a series of performance or incentive funding initiatives that began shaping a portion of the higher education structure based on measurable outcomes (Alexander, 2000; Burke and Serban, 1998). It was in appreciation of the need for a more appropriate response to the demands of accountability and in simultaneous recognition of the limitations of the enrollment-driven formula that the Performance Funding Program found its stimulus and rationale (Dumont, 1980). This program gives all public institutions an opportunity to earn a budget supplement of approximately 5.45% of the instructional component of its education and general budget for carrying out the following activities: [1]obtaining accreditation for accreditable academic programs; [2] testing graduating students in their major fields and in general education using standardized externally developed examinations, and – for additional credit – demonstrating that graduates scores at or above national averages on these tests; [3] surveying presently enrolled students, recent graduates, and/or community members/employers to assess their satisfaction with the institution’s academic programs and student services; [4] conducting peer review of its academic programs; and [5] clearly implementing the results of the assessment activities for campus improvements and programmatic revisions. (THEC, 2000).

Beginning in 1974, the Tennessee Higher Education Commission (THEC) launched a pilot effort, sponsored by private and federal grants, called the Performance Funding Project. The purpose of the project, which involved twelve of the twenty-one public institutions, was "to explore the feasibility of allocating some portion of state funds on a performance criterion" (Morrison, 1995, p. 3). The duration of the pilot was five years, with two additional pilot funding years. Several developments in the state political, administrative, and budgetary arenas influenced THEC's decision to initiate such a project. In 1972, the legislature initiated "allocation by activity," a version of program budgeting that required state agencies to set goals, rank agency priorities, and evaluate program effectiveness as part of their budget requests (Greene, Grubbs, and Hobday, 1982). From a political perspective, two of the three governors elected between 1970 and 1978, Winfield Dunn and Lamar Alexander, were conservatives. Both were interested in efficiency and accountability and at the same time, the legislature expressed discontent with the formula budgeting for public higher education. Furthermore, institutions needed a way to justify the money requested from the legislature, and performance funding appeared to have the potential of gaining the support of the governor and the legislature (Burke and Serban, 1998; Banta et al, 1996).

Throughout the existence of this program, THEC has consulted extensively with institutions, systems and governing boards, and national advisory panels to maintain the vibrancy of the policy. Performance funding has evolved over five major cycles including a pilot phase and four five-year cycles. During this period THEC has maintained the primary role in the development and implementation of performance funding throughout all cycles. Another hallmark of this program is that through continued comprehensive consultation with institutions, the policy has developed and evolved as the needs of the state, institutions, students, parents, and businesses have changed. For example, the measures used during the first two cycles focused solely on teaching and learning issues, without any concern for efficiency, productivity, or the relationship between performance funding and institutional and statewide planning goals. However, in 1990, THEC adopted the following statement of purpose for performance funding in Tennessee: "The Performance Funding Program is designed to stimulate instructional improvement and student learning as institutions carry out their respective missions. Performance Funding is an incentive for meritorious institutional performance and provides the citizens of Tennessee, the Executive Branch of state government, the legislature, education officials, and faculty with a means of assessing the progress of publicly funded higher education. By encouraging instructional excellence, the Performance Funding

Program contributes to continuing public support of higher education and complements academic planning, program improvement and student learning" (Tennessee Higher Education Commission, 1993, p. ii).

Burke and Serban (1998) observed that this statement, although preserving institutional improvement as the main goal of performance funding, made it clear that accountability was also an important goal of higher education. Through this statement, THEC recognized the need for combining the two major goals rather than pursuing one and excluding the other. One of the most recent innovative additions to the program in Tennessee is the inclusion of a variety of assessment measures aimed at internal (campus specific) rather than external accountability. This movement highlights the duality of performance funding; the policy must stimulate campus activity and initiatives while at the same time meeting the needs of elected officials and other external constituencies.

One of the primary objectives of the most recent revisions to the performance funding program in Tennessee was to bring performance funding, campus, governing board, and statewide planning together on common cycles and calendars. This movement will facilitate the development of performance funding goals that are directly related to institutional missions and planning objectives. This development should result in the improved usability of performance funding to induce institutions to engage in their own local master planning and assessment activities. The South Carolina experience has taught many in higher education that external support alone is not a precursor for policy success. If institutions are denied the opportunity for input and do not feel a sense of ownership in the program, the policy will ultimately fail. Policy makers in Tennessee were very aware of this as they developed the new standards for 2000-05. Careful measures were taken to ensure that both sides of the accountability bridge were sufficiently addressed to ensure the vitality of the program.

RESEARCH STRATEGY AND METHODOLOGY

Alexander (2000) observed that as a result of the underlying concern for improved public sector performance, outcomes indicators have emerged as an instrument devised to improve institutional efficiency and effectiveness. During the last decade, performance-based policies have clearly emerged as the model of choice resource allocation to public colleges and universities. Building upon an earlier study conducted by Banta et al (1996), this research examines the following research questions: [1] what factors have contributed to the program's longevity; [2] what are the perceived strengths/weaknesses of the program; [3] does the Tennessee experience provide insights for other states; and [4] to what extent are the results used for internal campus improvements? In order to assess these questions, the authors initiated a study of the perceived impacts of this policy on two- and four-year institutions across Tennessee. The authors surveyed over one hundred higher education administrators, performance funding coordinators, university presidents, and legislators in order to obtain feedback from central decision makers regarding the perceptions of policy success and failure. The authors felt that it was essential that all of the constituent groups listed above be included in the respondent pool in order to obtain an accurate gauge of opinions surrounding the performance funding initiative in Tennessee. The depth and breadth of the respondent pool allows this study to overcome many of the data shortcomings present in prior investigations. One such study is the work of Banta et al (1996) who examined the twenty-three performance funding coordinators at each public college and university across the state. She assumed that "these campus coordinators would know the most about the reaction of faculty and staff across disciplines to performance funding and about the strengths and limitations of the policy" (p. 42). Although the twenty-three individuals surveyed by Banta have wonderful in-depth knowledge of the policy, they are often unaware of the large, external policy concerns and uses of the accountability data collected through the various assessment activities associated with performance funding.

In order to ascertain a global perception of this program, the authors expanded the respondent pool. It should also be noted that this research includes 91% of the respondents surveyed by Banta (1996). Because of the specialized nature of this research, the authors relied upon a focused sampling technique to identify participants for inclusion in the study. The survey pool included every chief academic officer, performance funding coordinator, and president at each public college and university in Tennessee. In order to gauge external perceptions of policy success/failure, key legislators were also identified for participation. The total survey pool equaled 105, and completed survey instruments were received from 77 respondents. The questionnaires were distributed by mail and followed the Total Design Method as prescribed by Dillman (1978). The response rates for each category are as follows:

Participant Type	Response Rate
Performance Funding Coordinators	100%
Chief Academic Officers	85%
Presidents	60%
Overall	**73%**

Given the fairly high response rate from each category, the authors are confident that the results of this survey accurately reflect the perceptions of several constituency groups regarding the strengths and weaknesses of the performance funding program in Tennessee.

RESULTS

A descriptive analysis of the survey data reveals several core strengths of the policy: legislative accountability; the policy highlights important accountability areas for the general public; the rich history, acceptance, and network of support and participation in the program; and the fact that Performance Funding compels accountability and assists institutions with the accreditation process. The respondents also identified several core weaknesses of the program: several indicators are not valid for two-year institutions; the program promotes “gaming” because the scoring tables are unrealistically skewed to the upper end, forcing campuses to devise ways to obtain points; and the “one size fits all” nature of the policy. Finally, the respondents identified several policy changes for the 2000-05 cycle: THEC should develop a comprehensive performance funding manual to ensure clarity and consistency across the state; bonus money for top performers; and the program should reward schools for using the results for improvement.

General Policy Support

The authors asked several questions to assess and determine the various factors that have contributed to the success and longevity of the program. The respondents generally reported that they were satisfied with the program and hoped that it would continue to serve the needs of Tennesseans in the future. Specifically, 67% of the respondents stated that they were satisfied with the program as in existed during the 1997-2000 cycle. The respondents were also asked to reflect upon several possible indicators that were under consideration for inclusion in 2000-05 cycle. (See Table 1)

Of the proposals listed below, please indicate the degree to which you would support the inclusion of such proposals into Tennessee's performance funding standards. (Table 1)

Item	Supportive	Not Supportive	Mean	S.D.
Extra points for individual campus improvement intiatives	95.7	4.3	2.83	0.49
Transfer/articulation standard	79.1	20.9	2	0.98
Elimination of general education standards	45.9	54.1	1.46	1.22
Use of CCSTC	31.6	68.4	1	0.94
Development of state-wide enrolled/alumni student surveys	87.5	12.5	2.33	0.92
Job placement standard for 4 year institutions	59.1	40.9	1.82	1.1
Faculty surveys	56	44	1.48	1.05
Employer surveys	60	40	1.72	0.98

Given the present budget crisis in Tennessee, it is not surprising to note that the element that received the greatest support was the concept of "bonus points" for individual campus improvement initiatives. The majority of the elements listed above were included in the 2000-05 standards. Specifically, state-wide surveys were developed to measure student, alumni, and employer satisfaction. A transfer and articulation standard was added, and the general education component was significantly overhauled in response to campus feedback.

Strengths and Weaknesses of the Policy

The survey asked respondents to assess the general strengths and limitations of the performance funding program from their specific perspective. The participants noted that performance funding provided critical resources for institutions to perform assessments of student progress, attitudes, educational achievement, and promoted universal program accreditation. Highlights of open-ended responses include:

- Legislative accountability is one of the core strengths of the current program
- Highlights important accountability areas for the general public
- Stimulates serious considerations of campus strengths/weaknesses, and areas for improvement
- The programs history, acceptance, and network of support and participation are outstanding
- Forces some measure of accountability and helps with the regional accreditation process

The respondents also noted that the policy was not without its shortcomings. Many individuals cited the cost of assessment incurred by institutions to become eligible for the incentive funding. Others noted that the policy continued to suffer from a problem area identified by Banta in 1996, that is the "one-size-fits-all" notion of the standards. Furthermore, many individuals noted that because of funding constraints, the incentive nature of the policy has turned from a carrot to a stick. Highlights of the open-ended responses include:

- Some indicators of performance are not valid for two-year institutions
- Promotes gaming because the scoring tables are unrealistically skewed to the upper end, forcing campuses to devise ways to get points
- "One size fits all" nature of the policy does not work for all institutions. Institutional missions are not accounted for by the standards.
- The actual implementation is flawed because of uniform numerical indicators. Most of what performance funding asks for is irrelevant to what the campus would consider to be real indicators of performance: faculty salaries, research dollars, student academic profiles, student/faculty ratios, class size, access to instructional technology, etc.

Overall Impact of the Policy

The survey asked policymakers and campus leaders to assess the impact of the program on specific policy areas. The results for this segment of the survey are as follows:

How strongly do you feel that performance funding has worked to promote the following policy aspects? (Table 2)

Item	Agree	Disagree	Mean	S.D.
External accountability	78	12	2.16	0.62
Legislative accountability	79.2	20.2	1.96	0.62
Institutional improvement	72	28	1.84	0.75
Institutional accountability	87.5	12.5	2.13	0.61
Support for curricula change	41.7	48.3	1.33	0.76
Meeting campus needs	39.1	60.9	1.22	0.74
Meeting the needs of Tennesseans	50	50	1.33	0.76
Student accountability	41.7	58.3	1.25	0.85

Considering all factors related to this standard, please evaluate each standard as a measure of the quality of higher education. (Table 3)

Item	Good Measure	Poor Measure	Mean	S.D.
General Education Testing	44.0	56.0	1.44	1.08
General education pilot tests	80.0	20.0	1.95	0.83
Accreditation of academic programs	96.0	4.0	3.08	0.86
Program review	100.0	0.0	3.36	0.64
Major field assessment	80.0	20.0	2.72	1.06
Enrolled/alumni surveys	100.0	0.0	2.96	0.79
Retention/persistence	96.0	4.0	2.64	0.81
Job placement	79.2	20.8	2.38	1.17
Institutional strategic plan goals	88.0	12.0	2.64	1.11
State strategic plan goals	72.0	28.0	2.32	1.25

When asked to assess the overall impact that the program has had on their respective institutions, 75% noted that the program had made a positive overall impact on their campus. However, when asked to assess the impact of performance funding on various segments of their institutions, the majority of responses indicated that the program had little or no impact. One item that is perplexing to the authors is the divergent response on the "overall impact" question item. As noted above, the majority of respondents stated that the program had a positive overall impact on their campus, but less than .75 stated that it had a positive impact on the overall campus climate.

Item	Positive impact	No impact	Mean	S.D.
Impact on academic climate	45.8	54.2	2.38	0.77
Impact on social climate	4.5	95.5	1.45	0.6
Impact on cultural climate	18.1	81.9	1.73	0.77
Overall campus climate	22.7	77.3	2.05	0.65

As detailed above, respondents were asked to assess the core strengths of performance funding at their respective institutions. Highlights of the open-ended segment of the survey include:

Strengths:

- Campus specific goals and program review force our institution to tie master planning with measurable performance goals
- It (PF) provides a threat. To avoid looking bad, we are more likely to measure things and to discuss improving services and programs (or at least getting more points).
- It helps us maintain at least partial focus on outcomes management and institutional effectiveness.
- Performance funding is the primary means through which faculty are kept "honest" Without the assessment activities inherent in major field tests, peer review, etc. there would be no means to measure the quality of our academic offerings.
- The use of outside measures forces our institution to compare the outside sources
- Program review, institutional mission and state planning goals, and campus improvement initiatives

Weaknesses

- Because of the reliance on numbers, many people at our institution do not respect performance funding and all of the hard work that goes into it.
- Limited by in by top management. It is still a bit of a "one man show" with the program and results entrusted to the research office.
- THEC does not do enough to publicize the results of the program. They need to do a better job of using the results to communicate the hard work at the campus level that often goes unnoticed.
- PF money is not earmarked for improvements in those programs and services identified through the PF process as needing additional assistance or reward. Instead, PF money is really viewed as just another piece of state appropriations in support of the operating budget for the institution.
- Cost of assessment is an unjust burden on our small institution

SUMMARY

Increasingly, higher education is one of many sectors of state government that is vying for increased funding during a time when more is expected of many areas of government. As far back as the early 1970's, higher education was predicted to fall in line with other areas of state government in having to fight for their piece of dwindling state resources (Gove, 1971). Gove accurately forecast that "no longer would higher education be seen as the fourth branch of state government." Increases in demand for public services have fueled the growth in state expenditures in the last twenty years. As Bonser, McGregor, & Oster (1996) noted, there are a variety of factors which explain the increased demands on state coffers. These factors include demographic changes, growing populations, income growth, income redistribution, and risk aversion. Mills (1999) points to rapid pace of change faced by higher education in such areas as information technology, restricted funding, expansions in the economy, and multiple stakeholders as the driving forces behind challenges facing higher education and other public sectors.

McGuinness (1997) charged that the most perplexing issue facing lawmakers is how to position the higher education system to take on the changes brought by a more market-driven economy. Wrestling with concerns for issues such as mission clarity, technology infrastructure, and increasing political control is becoming commonplace in state-level higher education planning across the country. The increasing call for added accountability mechanisms such as performance funding are often based in the structural problems of current bureaucracies, ambiguous priorities, and fragmented powers inherent to the status quo in higher education governance in many states (Benjamin & Carroll, 1996).

One of the hallmarks of the 1990's in higher education was the tension resulting from state demands for accountability and higher education's consistent desire for freedom and autonomy. Berdahl (1990) notes that both sides have unrealistic expectations and do not understand the true concerns of each respective party. Defining autonomy as the power to govern without outside controls, and accountability as the requirement to demonstrate responsible actions, Berdahl (1990) posits that each side should realize that the achievement of a peaceful balance should be the desired outcome of all parties. However, higher education officials must begin to realize that the struggle between autonomy and accountability has become a fact of life that has always existed and will continue to be a force in the coming decades. Because of the myriad of benefits to be gained through a quality higher education system, the stakes have been raised regarding cooperation between business interests, state government and the campus expertise. One of the primary lessons to be learned from the history of performance in Tennessee is that the campus must be proactive with respect to accountability. One of the strengths of the Tennessee policy is that is was developed by the institutions and sold to the legislature. This pro-activity precluded legislative intervention and presented institutions with the flexibility to create workable standards that met the dual goals of external and internal accountability.

Increasingly, colleges and universities are being asked for more direct measures of student outcomes (NCES, 1998). National studies report recurring questions such as, how much did students learn, and did they complete college prepared for employment? Questions such as these resemble local debates regarding assessment of general education outcomes, critical thinking skills, and student/alumni satisfaction. One of the lessons learned from the Tennessee experience with Performance Funding is that faculty are best suited to question current pedagogical practices and inform departments about advances in research that may effect curricula. Without the direct support of the faculty and their involvement with assessment, Performance Funding becomes nothing more than bean counting. Another problem area associated with the assessment activities mandated by this program relates to the issue of student motivation. Motivating students to take assessments seriously when the results do not serve as a barrier to further study or graduation or have any other direct implications for individual students is an issue encountered by most institutions. This is of critical importance in Tennessee because the results of these assessments have major financial implications.

In addition to the internal concerns mentioned above, performance funding is central to higher education's accountability to external constituencies. The assessment standards were developed to respond to the rising concerns of elected officials as they evaluate investment returns on state budget allocations. Should state funding for higher education in Tennessee continue its recent trends, the performance funding program will take on an increasingly important role in core budget activities. Its shift from providing additional funds to incorporation into the base allocation has changed the scope of the program. This movement by Tennessee may eventually lead to a need to distinguish between the history of incentive funding and the current penalty and reward system of a performance budgeting mechanisms.

REFERENCES

Albright, B.A. 1995. "The accountability litmus test: long term performance improvement with contained costs." In Assessing Performance in the Age of Accountability: Case Studies. San Fancisco: Jossey Bass.

Allen, H. A. 1994. "Workload and Productivity in An Accountability Era," NEA 1994 Almanac of Higher Education. Washington, D. C.: National Education Association.

Ahumada, M. M. 1990. "An analysis of state formula budgeting in higher education." In ASHE Reader on Finance in Higher Education. Edited by D. W. Breneman, L. L. Leslie, & R. E. Anderson. Needham Heights, MA: Simon and Schuster Press.

Banta, T. W., Rudolph, L. B., Van Dyke, J. & Fisher, H. S. 1996. "Performance Funding Comes of Age in Tennessee," Journal of Higher Education, (67) 1, 23-45.

Benjamin, R. & Carroll, S.J. "Impediments and imperatives in restructuring higher education." Education Administration Quarterly, 32, 1996.

Berdahl, R. "Public universities and state governments: Is the tension benign? Educational Record, Winter, 1990.

Bonser, C.F., McGregor, Jr., E.B., & Oster, Jr., C.V. Policy Choices and Public Action. New Jersey: Prentice-Hall, 1996.

Burke, J.C. and S. Mondarresi. 2000. "To keep or not to keep performance funding: signals from stakeholders." The Journal of Higher education. (71) 432-453.

Burke, J. C. 1997. Performance Funding Indicators: Concerns, Values, and Models for Two- and Four-Year Colleges and Universities. Albany, NY: Nelson A. Rockefeller Institute of Government.

Dumont, R. G. 1980. "Performance Funding and Power Relations in Higher Education." Journal of Higher Education, (51) 4, 400-423.

Erwin, T. D. 1998. Assessment and Policy: Selected Institutions Utilizing Assessment Results. Washington, DC: U. S. Department of Education, Office of Educational Research and Improvement.

Ewell, P. T. 1993. "Performance Indicators: A New Round of Accountability." Assessment Update, 5, 12-13.

Gaither, G. H. 1995. Assessing Performance in the Age of Accountability: Case Studies. San Fancisco: Jossey Bass.

Gove, S.K. "The politics of higher education." In New Perspectives in State and Local Politics. Edited by J.A. Reidel. Waltham, MA: Xerox College Publishing, 1971.

Jones, D., Ewell, P., & McGuinness, A. “The challenges and opportunities facing higher education: An agenda for policy research.” National Center for Public Policy and Higher Education, December, 1998.

Layzell, D. T. & Lyddon, J. W. 1990. “Budgeting for higher education at the state level: Enigma, paradox, and ritual.” In ASHE Reader on Finance in Higher Education. Edited by D. W. Breneman, L. L. Leslie, & R. E. Anderson. Needham Heights, MA: Simon and Schuster Press.

Lucas, C. J. 1996. Crisis in the Academy. New York: St. Martin’s Press.

Maryland Higher Education Commission. 1996. Higher Education Funding Study: Methods for Funding Higher Education In Other States. Annapolis: Maryland Higher Education Commission.

McGuinness, Jr., A.C. “A complex relationship: State coordination and governance of higher education.” National CrossTalk, Fall, 1997.

Meisinger, R. J., Jr. 1976. State Budgeting for Higher Education: The Uses of Formulas. Berkley: Center for Research and Development in Higher Education, University of California.

Mills, M. “Stories of excellence and enterprise in higher education policy making: A narrative analysis of the reports of blue ribbon commissions on higher education.” Paper presented at Annual Meeting of Association for the Study of Higher Education (ASHE), San Antonio, November, 1999.

National Center for Education Statistics. 1996. National assessment of college student learning: State-level assessment activities. Report of the Proceedings of the Third Study Design Workshop. Washington, DC: U. S. Department of Education, Office of Educational Research and Improvement.

National Center for Education Statistics 1998. Definitions and assessment methods forcritical thinking, problem solving, and writing. Washington, DC: U. S. Department of Education, Office of Educational Research and Improvement.

Peters, M. 1992. “Performance and accountability in post industrial society: the crisis of British universities.” Studies in Higher Education. (17): 123-139.

Peterson, M. V., Einarson, M. K., Augustine, C. H., & Vaughan, D. S. 1999. Institutional support for student assessment: Methodology and results of a national survey. Report of the National Center for Postsecondary Improvement. Washington, DC: U. S. Department of Education, Office of Educational Research and Improvement.

Sabloff, P.L. “Another reason why state legislatures will continue to restrict public university autonomy.” The Review of Higher Education, 20, 2, 1997.

Tennessee Higher Education Commission. 1993. Performance Funding Handbook. Nashville: Tennessee Higher Education Commission.

Tennessee Higher Education Commission. 2000. Performance Funding Handbook. Nashville: Tennessee Higher Education Commission.